

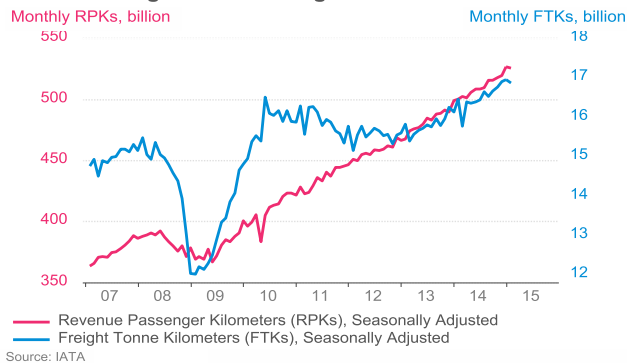
# AIR PASSENGER MARKET ANALYSIS

## JANUARY 2015

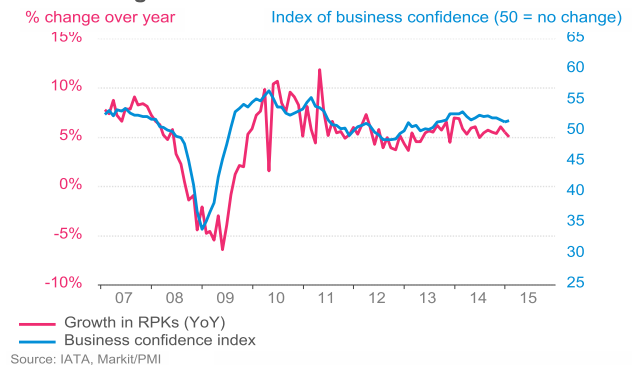
### KEY POINTS

- ➔ Global air travel was up 4.6% in January compared to a year ago, a slower start to the year when compared to the strong 5.8% expansion in 2014 overall.
- ➔ There was a contraction in volumes of 0.2% in January compared to December, but this decline is relatively small and within normal volatility in revenue passenger kilometers – the slower start to 2015 does not necessarily imply the beginning of weakness in the otherwise robust growth trend.
- ➔ It is important to note, however, that there are some downside risks as concerns have been rising about the health of the global economy at the start of 2015. Business confidence has been weakening since mid-2014 and that could constrain growth in international air travel, which we have been noting for the past several months.
- ➔ While international revenue passenger kilometers (RPKs) were up 5.4% in January year-on-year, the growth rate is below its long-run average (6.3%) and the level of traffic has broadly tracked sideways since August (except for a spike in volumes in December). Some regions continue to do well, though – airlines in the Middle East and Latin America were up 11.4% and 5.6%. Furthermore, even though the Eurozone has fallen back toward very weak economic expansion, carriers in some nations, including Turkey, continue to record strong growth. Airlines in this region recorded a rise of 5.0% in international RPKs in January year-on-year.
- ➔ During the later months of 2014, domestic markets were the main driver of industry growth. In January, however, much of the slowdown in the industry growth rate and contraction in travel volumes was due to domestic demand. In particular, air travel in China increased just 2.1% in January year-on-year – part of that is due to the timing of the Lunar New Year. But developments on this important market will be worth watching, particularly as the Chinese economy has been showing signs of weakness.
- ➔ Industry load factors slipped slightly in January compared to December, as a result of the fall in volumes. The fall was driven by growth in international ASKs. Domestic load factors actually managed to increase slightly, with capacity contracting more than the fall in travel volumes.
- ➔ The decline in oil prices over recent months should help support economic activity and passenger demand into 2015. However, as mentioned above, weakness in business confidence has been weighing on international travel, and may continue to constrain the pace of expansion in the near term.

**Total Air Freight and Passenger Volumes**



**Worldwide growth in air travel and business confidence**



## Air Passenger Forecast service

The new joint venture between  
IATA and Tourism Economics



Including comprehensive forecasts down to a country-pair level

Year on Year Comparison

Month on Month Comparison

	Jan 2015 vs. Jan 2014			2014 vs. 2013			Jan 2015 vs. Dec 2014		
	RPK	ASK	PLF	RPK	ASK	PLF	RPK	ASK	PLFpt
International	5.4%	6.0%	78.0%	6.1%	6.3%	79.2%	0.0%	0.4%	-0.3%
Domestic	3.2%	3.9%	77.3%	5.3%	4.3%	80.6%	-0.5%	-0.7%	0.1%
<b>Total Market</b>	<b>4.6%</b>	<b>5.2%</b>	<b>77.7%</b>	<b>5.8%</b>	<b>5.6%</b>	<b>79.7%</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>-0.2%</b>

FTK: Freight-Tonne-Kilometers; AFTK: Available Freight Tonne Kilometers; FLF: Freight Load Factor. All Figures are expressed in % change Year on Year except FLF which are the load factors for the specific month.

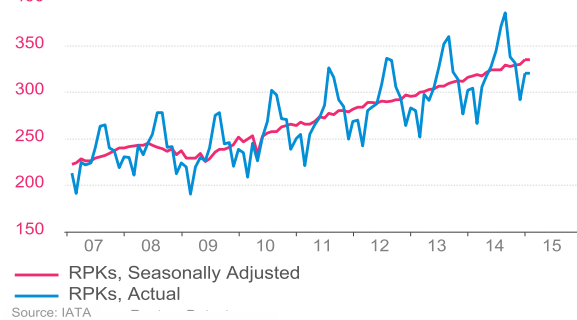
Data are seasonally adjusted. All figures are expressed in % change MoM except, FLFpt which are the percentage point difference between LF of two months.

## PASSENGER MARKET

### International Markets

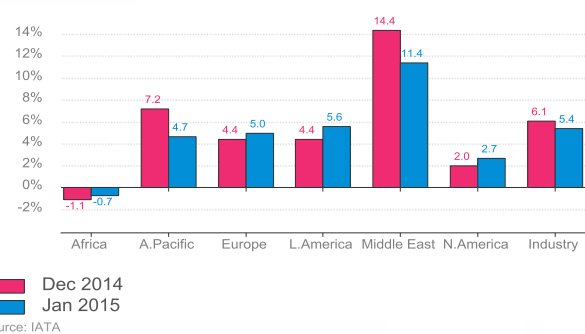
#### International Passenger Market

Monthly RPKs, billion  
400



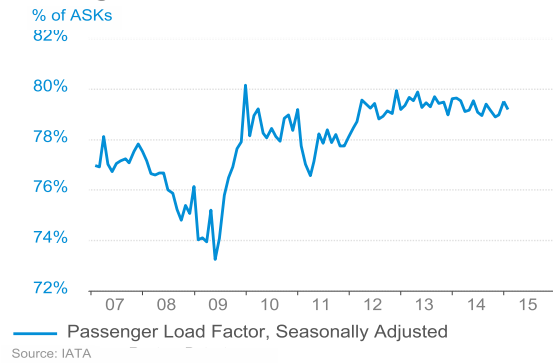
#### International Passenger Growth by Region

% change over year

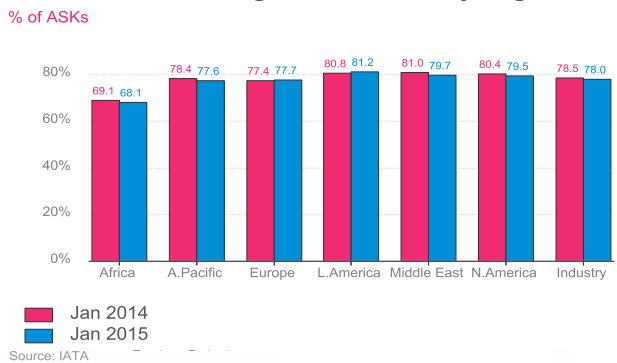


- ➔ International RPKs were up 5.4% in January compared to a year ago. This result remains below its 10-year average growth rate of 6.3% and in level terms international RPKs have now been broadly flat since August (except for a spike in volumes in December).
- ➔ Airlines in emerging markets continue to record strong growth, with carriers in the Middle East and Latin America up 11.4% and 5.6%, respectively. Middle Eastern economies are comparatively well-placed to withstand the plunge in oil revenues and regional airlines continue to gain market share. Market's measures of business activity in non-oil sectors continue to show improvement and point to strong growth. While growth in the Brazilian economy has stagnated, regional trade volumes have continued to improve in recent months. Favorable base effects should also support annual growth rates for the region's carriers during the first quarter of 2015.
- ➔ Air travel growth statistics for Europe are reflecting robust travel on low cost carriers as well as on airlines registered in Turkey – with a 5.0% rise in January compared to a year ago – helping to negate some of the ongoing economic weakness in the region.
- ➔ Carriers in Asia Pacific and Africa have experienced weakness over recent months. Asia Pacific carriers saw a rise of 4.7% in January year-on-year, which is below the 2014 annual trend of 5.6% expansion. In addition, the seasonally-adjusted level of traffic has been broadly flat over the past five months. This has come amid signs of a slowdown in regional production activity, and even some flattening in trade growth over recent months.
- ➔ International RPK growth for African carriers was weakest among all regions, with volumes down 0.7% in January year-on-year. The direct effects of the Ebola outbreak are judged to be small, with the impact largely restricted to Guinea, Liberia and Sierra Leone (markets that comprise a very small proportion of overall African traffic). Instead, the recent weakness appears to reflect adverse economic developments in parts of the continent, not least in its largest economy, Nigeria, which is highly reliant on oil revenues.
- ➔ North American airlines experienced slower growth of 2.7% in international RPKs in January year-on-year, compared to 3.1% in 2014 overall. Nonetheless, the US economy remains a stand-out performer among developed economies, and recent gains in trade volumes bode well for business-related travel.

### Passenger Load Factor on International Market

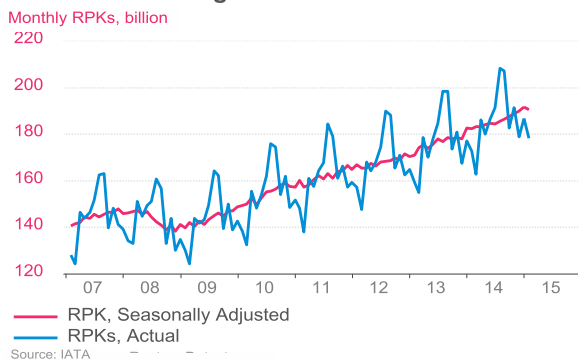


### International Passenger Load Factor by Region

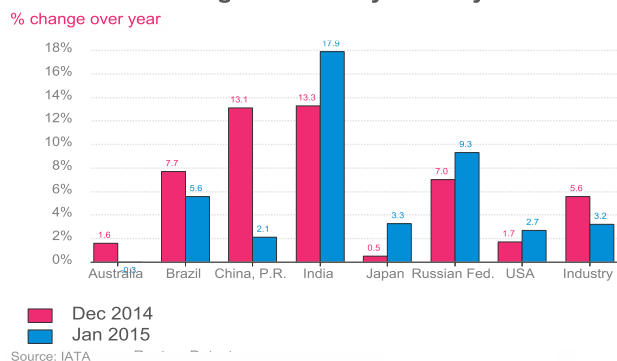


### Domestic Market

#### Domestic Passenger Market

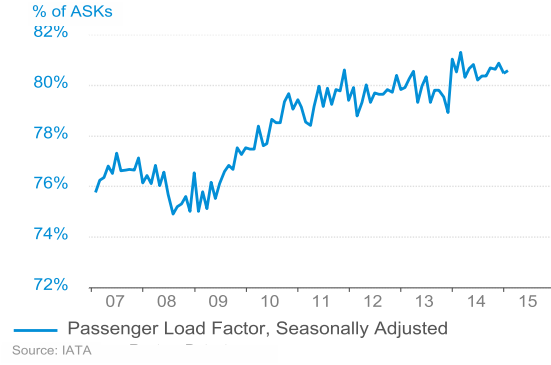


#### Domestic Passenger Growth by Country

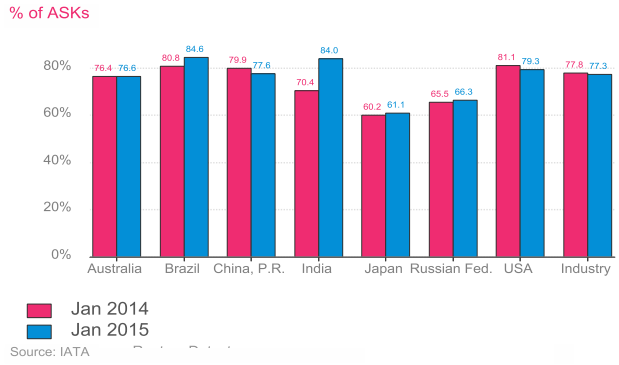


- ➔ During the later months of 2014, domestic markets were the main driver of industry growth. In January, however, much of the slowdown in the industry growth rate and contraction in travel volumes was owing to domestic demand. In particular, air travel in China increased just 2.1% in January year-on-year – part of that is due to the timing of the Lunar New Year, which took place a month later this year (in February), compared to 2014. But there was also a contraction in volumes in January compared to December, after adjusting for seasonal factors. Much like the overall industry result in January, it is too early to suggest that this is the start of a weakening growth trend, but developments on this important market will be worth watching, particularly as the Chinese economy has been showing signs of weakness.
- ➔ Following the economic recession in the first half of the year, the trend in domestic air travel in Brazil also picked up towards the end of the year and that carried through to January, with a 5.6% rise year-on-year. Nonetheless, growth in the economy is stagnant and persistently-high inflation remains a concern. As a result, the upward trend for travel is not expected to accelerate notably in the near term.
- ➔ Demand in the Indian domestic market improved in the latter part of 2014 partly owing to market stimulation by local carriers, and that trend has continued into 2015, with a strong rise of 17.9% in January year-on-year.
- ➔ Annual growth in Russian domestic RPKs remains strong, up 9.3% in January year-on-year. However, with favorable base effects set to drop out of the annual comparison over the coming months, and the economy on the brink of recession, annual RPK growth rates are likely to fall back sharply later in the first quarter of 2015.
- ➔ Annual growth in domestic air travel in Australia weakened further in January, with a 0.3% fall in volumes compared to a year ago. In fact, volumes have experienced very little growth since the middle of 2013 as the economy has struggled to rebalance away from mining investment-led growth. With consumer confidence at a three-year low, the near-term outlook remains subdued.
- ➔ Domestic air travel in Japan was weak throughout the middle of the year following April's sales tax increase and the subsequent recession. Nonetheless, the economy appeared to have stabilized in Q4 and seasonally-adjusted domestic air volumes showed some increase in the final months of 2014 and into 2015. The January result was a moderate rise of 3.3% compared with a year ago.
- ➔ The US domestic market also trended up in the latter months of 2014, coinciding with a pick-up in consumer confidence and rising employment activity. That said, given that wage growth remains subdued, and the US air travel market is very mature, the prospects for strong growth in air travel demand remain limited. The market was up 2.7% in January year-on-year.

### Passenger Load Factor on Domestic Market

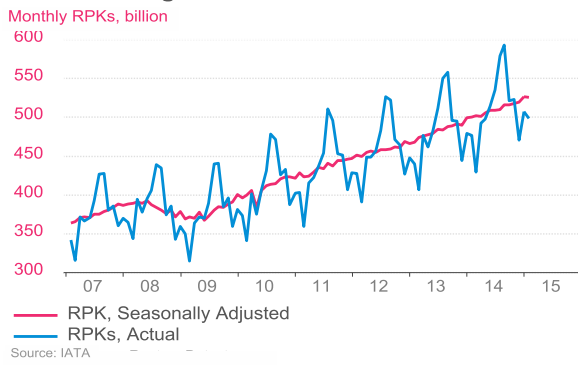


### Domestic Passenger Load Factor by Country

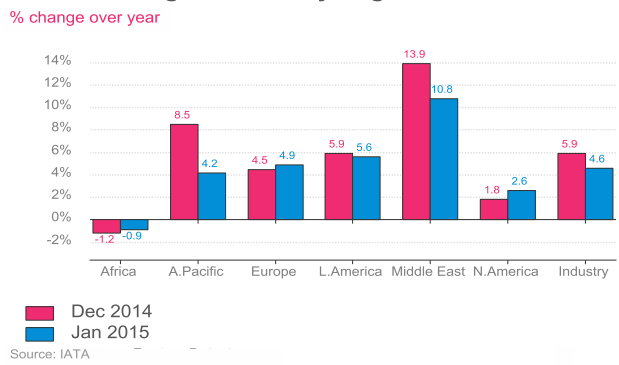


### Total Market (Domestic + International)

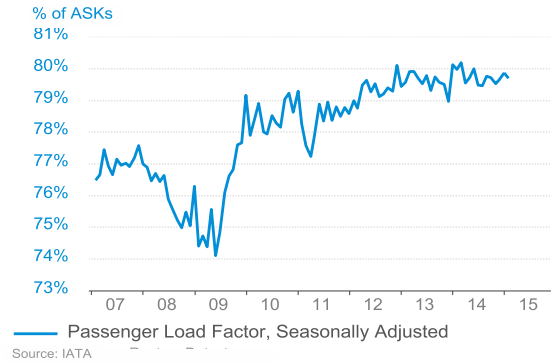
#### Total Passenger Market



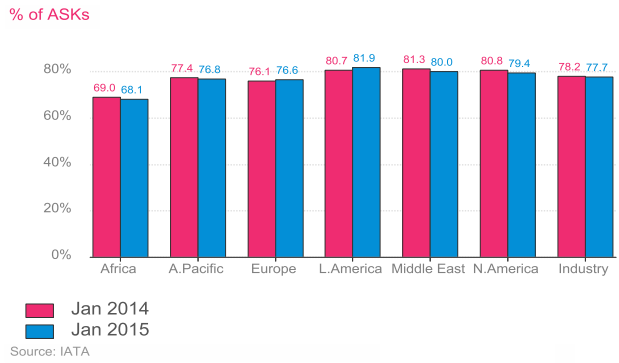
#### Total Passenger Growth by Region



### Passenger Load Factor on Total Market



### Total Passenger Load Factor by Region



## ANNEX

Year on Year Comparison	Jan 2015 vs Jan 2014			2014 vs. 2013		
	RPK	ASK	PLF	RPK	ASK	PLF
Africa	-0.7%	0.7%	68.1%	0.9%	3.1%	67.5%
Asia/Pacific	4.7%	5.8%	77.6%	5.6%	6.8%	76.9%
Europe	5.0%	4.6%	77.7%	5.7%	5.2%	81.6%
Latin America	5.6%	5.1%	81.2%	5.8%	4.7%	80.0%
Middle East	11.4%	13.3%	79.7%	13.0%	11.9%	78.1%
North America	2.7%	3.8%	79.5%	3.1%	4.5%	81.7%
<b>International</b>	<b>5.4%</b>	<b>6.0%</b>	<b>78.0%</b>	<b>6.1%</b>	<b>6.3%</b>	<b>79.2%</b>
Australia	-0.3%	0.0%	76.2%	1.9%	2.1%	76.1%
Brazil	5.6%	1.0%	84.6%	6.5%	1.7%	80.1%
China P.R.	2.1%	5.1%	77.6%	10.9%	11.1%	80.2%
India	17.9%	-1.2%	84.0%	8.1%	5.5%	76.5%
Japan	3.3%	1.7%	61.1%	3.7%	0.7%	66.0%
Russian Federation	9.3%	7.9%	66.3%	9.8%	8.0%	75.3%
US	2.7%	5.1%	79.3%	2.4%	1.1%	84.8%
<b>Domestic</b>	<b>3.2%</b>	<b>3.9%</b>	<b>77.3%</b>	<b>5.3%</b>	<b>4.3%</b>	<b>80.6%</b>
Africa	-0.9%	0.4%	68.1%	0.3%	2.5%	68.4%
Asia/Pacific	4.2%	5.0%	76.8%	6.9%	7.4%	77.2%
Europe	4.9%	4.3%	76.6%	5.8%	5.2%	80.8%
Latin America	5.6%	4.0%	81.9%	6.3%	4.0%	79.8%
Middle East	10.8%	12.6%	80.0%	12.6%	11.5%	78.4%
North America	2.6%	4.4%	79.4%	2.7%	2.4%	83.6%
<b>Total Market</b>	<b>4.6%</b>	<b>5.2%</b>	<b>77.7%</b>	<b>5.8%</b>	<b>5.6%</b>	<b>79.7%</b>

RPK: Revenue-Passenger-Kilometers; ASK: Available-Seat-Kilometers; PLF: Passenger-Load-Factor;  
All Figures are expressed in % change Year on Year except PLF which are the load factors for the specific month.

Month on Month Comparison	Jan 2015 vs. Dec 2014			Market Share
	RPK	ASK	PLFpt	RPK
Africa	-0.3%	0.4%	-0.5%	2.4%
Asia/Pacific	-0.5%	0.7%	-0.9%	29.5%
Europe	0.1%	0.4%	-0.2%	33.0%
Latin America	0.0%	0.5%	-0.4%	5.0%
Middle East	0.8%	0.9%	-0.1%	15.9%
North America	-0.1%	-0.8%	0.6%	13.4%
<b>International</b>	<b>0.0%</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>100.0%</b>
Australia	0.0%	-0.2%	0.2%	3.3%
Brazil	-2.3%	-2.3%	0.0%	5.0%
China P.R.	-0.8%	-0.7%	-0.1%	23.8%
India	0.9%	0.2%	0.6%	3.2%
Japan	1.9%	0.8%	0.8%	3.4%
Russian Federation	4.1%	1.2%	2.1%	3.0%
US	-0.3%	-0.4%	0.0%	40.6%
<b>Domestic</b>	<b>-0.5%</b>	<b>-0.7%</b>	<b>0.1%</b>	
Africa	-0.2%	-0.6%	0.2%	2.4%
Asia/Pacific	-0.2%	0.3%	-0.1%	33.3%
Europe	0.0%	-5.7%	1.7%	23.7%
Latin America	-1.0%	-0.5%	0.7%	6.2%
Middle East	1.3%	-0.9%	0.1%	10.6%
North America	0.5%	1.9%	-1.7%	23.8%
<b>Total Market</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>-0.2%</b>	<b>100%</b>

Data are seasonally adjusted. All figures are expressed in % change MoM except, PLFpt which are the percentage point difference between load factors of two months.

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4<sup>TH</sup> March 2015

#### FURTHER ANALYSIS AND DATA

Access data related to this briefing through the Monthly Statistics publication:

<http://www.iata.org/publications/Pages/monthly-traffic-statistics.aspx>

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